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GAIN Report

Global Agricultural Information Network

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Kenya

Grain and Feed Annual

2014 Kenya Corn, Wheat and Rice Report

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Report Highlights:

FAS/Nairobi forecasts corn production in MY 2014/2015 to remain same as the previous year, and modest increases in wheat and rice. Consumption of the commodities will increase creating a supply deficit that will be offset by imports. Imports into Kenya are subject to external tariffs that range from 10 percent for wheat, 35 percent for rice and 50 percent for corn. Minimal exports of the commodities occur through cross border trade.

Corn

The Government of Kenya (GOK) has initiated measures to bring down the cost of corn production by providing subsidized fertilizers to farmers. The Kenya Meteorological Department (KMD) has forecast adequate rains in the corn growing areas. However, according to a collaborated report by the Tegemeo Institute of Egerton University, production in MY2014/2015 will be hampered by inadequate supply of seed for the popular hybrid corn varieties (KS6213 and KS614). The subsidized fertilizer has also not been adequate. In addition, the onset of the March/April 2014 rains came earlier than expected and most farmers were not ready for planting. Production is also constrained by underlying drawbacks such as soil acidification due to year-in-year out usage of Diamonium Phosphate (DAP) fertilizer. As a long term measure, GOK has initiated an ambitious plan to put about 1 million hectares under irrigation in the Galana/Kulalu areas of the North Coast. No production is anticipated from this project in MY 2014/2015.

Corn: Production, Supply, and Distribution (PSD) Table

Corn Kenya	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jul 2012		Market Year Begin: Jul 2013		Market Year Begin: Jul 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,266	2,266	1,800	1,800		1,800
Beginning Stocks	433	433	479	437		382
Production	3,603	3,390	2,800	2,800		2,800
MY Imports	250	224	800	800		900
TY Imports	200	100	800	800		900
TY Imp. from U.S.	0	0	0	0		0
Total Supply	4,286	4,047	4,079	4,037		4,082
MY Exports	7	10	5	5		5
TY Exports	10	10	5	5		5
Feed and Residual	350	350	350	350		350
FSI Consumption	3,450	3,250	3,500	3,300		3,400
Total Consumption	3,800	3,600	3,850	3,650		3,750
Ending Stocks	479	437	224	382		327
Total Distribution	4,286	4,047	4,079	4,037		4,082

1000 HA, 1000 MT, MT/HA

Source of data: Latest available GOK area harvested and production data –Latest GTA data – FAO Data for 2012/2013 production; otherwise FAS/Nairobi Estimates

Notes on PSD Table

- Area harvest has been retained as in previous year
- Imports increased in view of increased consumption without corresponding increase in production; GOK modestly estimates imports at 900 thousand tons
- Ending stocks lower due a foreseeable depletion of locally held stocks

Corn consumption will continue to grow despite efforts to diversify to other foods. A small proportion of the lower grade corn goes into the livestock feed industry. A deficit is forecast in the MY2013/2014 and corn imports will be inevitable. It is however unlikely that the deficit will be fully offset by imports from within the East African Community (EAC). Imports from outside the EAC are subject to a steep external tariff currently at 50% ad-valorem. The GOK can however petition EAC for a waiver or lowering of the tariff on the grounds of “food insecurity”; an option previously exercised in MY 2008/2009. Apart from the EAC external tariff, a ban on Genetically Modified (GM) corn is still in place, locking out any US corn imports into Kenya.

Retail prices for corn and corn products have been increasing. At the farmer level, corn prices invariably collapse at the peak harvest season. GOK intervenes by announcing a pan-territorial price for all maize bought by the National Cereals and Produce Board (NCPB). The long term impact of this price intervention on the economy is not clear. It is however obvious that the intervention pushes up retail prices. In MY 2013/2014 the pan-territorial price for corn was Ksh 33,000 (USD 385) against an average market price of Ksh 30,000 (USD 347) per ton.

Another concern in Kenya has been the aflatoxin contamination. Most of the contamination comes about due to poor drying and storage. GOK has commenced an initiative to contain the contamination by building drying and storage facilities in all corn growing regions. In addition, research and food safety agencies in Kenya have initiated trials towards curtailing soil based aflatoxin contamination. The program is supported by the Agricultural Research Service of the US Department of Agriculture.

Wheat

An expansion of area under wheat, coupled by favorable weather conditions, is expected to increase production in Kenya to 350,000 tons in MY 2014/2015. The wheat stem rust (Ug99) remains a main contributor to low yields. Recycling of seed by farmers contributes to the prevalence of the disease.

Wheat: Production, Supply and Distribution (PSD) Table

Wheat Kenya	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jul 2012		Market Year Begin: Jul 2013		Market Year Begin: Jul 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	149	149	160	160		170
Beginning Stocks	307	307	179	142		102
Production	442	300	320	320		350
MY Imports	1,140	1,140	1,400	1,350		1,400
TY Imports	1,140	1,140	1,400	1,350		1,400
TY Imp. from U.S.	49	11	0	10		20
Total Supply	1,889	1,747	1,899	1,812		1,852
MY Exports	10	5	10	10		10
TY Exports	10	5	10	10		10
Feed and Residual	150	100	150	150		150
FSI Consumption	1,550	1,500	1,600	1,550		1,600
Total Consumption	1,700	1,600	1,750	1,700		1,750
Ending Stocks	179	142	139	102		92
Total Distribution	1,889	1,747	1,899	1,812		1,852

1000 HA, 1000 MT, MT/HA

Source of data: Latest available GOK area harvested and production data –Latest GTA data – otherwise FAS/Nairobi Estimates

Consumption is expected to increase due to increased urbanization, growth in incomes, a robust food service sector, and a growing preference for wheat products. A limited amount of wheat is also used as a raw material for feed manufacture.

Domestic production only meets a third of this demand creating the need for importation. Post forecasts wheat imports will continue to increase. The bulk of the wheat imports are from the Black Sea region (Russia, Ukraine and Kazakhstan), Pakistan, Brazil, and Argentina. Competitive pricing and shorter distance relative to other sources such as the United States favors imports from these countries. Imports from the US are mainly for monetization related to the Food Assistance Programming. Kenya exports are minimal; driven mainly by cross border trade within the East African Community. Imports into Kenya by registered millers attract a 10 percent ad-valorem tariff; otherwise the EAC external tariff of 35 percent applies.

Rice, Milled

Rice is the third most important food crop after maize and wheat. The bulk of production, estimated at 95%, is through the National Irrigation Board (NIB) managed irrigation schemes. The rest of the production is under rain-fed conditions. In addition to the traditional Basmati variety, the New Rice for Africa (NERICA) variety is also being promoted under rain-fed conditions in the highlands. NIB is also rehabilitating and expanding the existing irrigation schemes.

Rice consumption in Kenya has been increasing rapidly as result of population growth and urbanization. Kenya's Department of Agriculture estimates consumption growth of 11 percent per year. The local supply can barely cope and imports have increased rapidly. Rice imports into Kenya are mainly from Pakistan, Vietnam, Thailand, and India. Sources also indicate substantial unrecorded imports from Tanzania. The applicable EAC common external tariff is 75 percent ad valorem or USD 200 per ton, whichever is higher. The (EAC) has however allowed Kenya, on account of low local and regional production, to apply a 35 percent ad-valorem tariff. The concession is however renewable annually. The minimal exports from Kenya are to countries within EAC.

Rice: Production, Supply and Distribution (PSD) Table

Rice, Milled Kenya	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	30	32	32	32		35
Beginning Stocks	122	122	77	94		87
Milled Production	55	55	60	65		65
Rough Production	83	83	91	98		98
Milling Rate (.9999)	6,600	6,600	6,600	6,600		6,600
MY Imports	360	378	400	410		420
TY Imports	360	410	400	440		480
TY Imp. from U.S.	0	0	0	0		0
Total Supply	537	555	537	569		572
MY Exports	0	6	0	7		8
TY Exports	0	7	0	8		10
Consumption and Residual	460	455	480	475		480

Ending Stocks	77	94	57	87		84
Total Distribution	537	555	537	569		572
1000 HA, 1000 MT, MT/HA						

Source of data: Latest available GOK area harvested and production data –Latest GTA data – otherwise FAS/Nairobi Estimates